

(800) 473-6757

Call the
MOSTARS
Information
Center

to speak with trained
staff members about
any story in this
newsletter
as well as to obtain
free information about
state and federal
student financial
assistance programs.

(573) 751-3940

May 2001



Missouri Student Assistance Resource Services

MOSTARS is the student assistance division of the Missouri Department of Higher Education.

IRS Provides Guidance on Electronic Statements

Schools that are eligible to participate in federal student financial assistance programs administered by the U.S. Department of Education are required to file information returns (IRS form 1098-T) with the Internal Revenue Service to assist taxpayers and the IRS in determining the Hope Scholarship and Lifetime Learning Credit that taxpayers may claim. Also, lenders and loan holders that receive interest payments on one or more covered education loans are required to file information returns (IRS form 1098-E) with the IRS to assist taxpayers and the IRS in determining the amount of student loan interest that taxpayers may deduct. These schools, lenders, and loan holders also are required to furnish a corresponding written statement to each individual named on the IRS information return showing the information reported to the IRS. Many schools, lenders, and loan holders wanted the option of providing these statements in an electronic format. In response, the IRS published temporary regulations in the Federal

**MOSTARS
News**

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Register dated Feb. 14, 2001, that provide guidance on electronic statements in lieu of a paper format. Schools, lenders, and loan holders that choose not to provide electronic statements in the manner specified by the temporary rules must continue to provide the required statements in paper format. (These temporary regulations have no effect on the requirement to file IRS Form 1098-E or 1098-T.)

Key requirements in the temporary regulations are summarized below. Refer to the Feb. 14 Federal Register for detailed guidance. For a copy of the Federal Register, contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940.

Consent

A school, lender, or loan holder (furnisher) may choose to provide

See IRS, page 5

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Beth Ziehmer
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This portion of the **MOSTARS** newsletter includes questions and answers about topics that our clients bring to our attention.

If you think there is a need for a published clarification on a particular topic, contact the **MOSTARS Information Center at (800) 473-6757 or (573) 751-3940** to discuss the topic.

If one of your questions is published, pat yourself on the back for asking a question that may benefit other clients.

For Your Convenience

An information box indicating subject matter accompanies each article in this newsletter.

This box also contains the name of the article's contact person (where applicable) and his or her phone number and e-mail user ID.

The user ID is now the `firstname.lastname`. The formula for e-mail addresses at the Missouri Department of Higher Education is as follows:

USER ID@mohhe.gov

Remember, you also can contact the **MOSTARS Information Center at (800) 473-6757 or (573) 751-3940**.

Does the Missouri Student Loan Program charge a guarantee fee for Federal Stafford Loans or Federal Parent Loans for Undergraduate Students?

No. The MSLP removed the guarantee fee for federal loans guaranteed on or after July 1, 1999.

What was the MSLP's draft cohort default rate for FFY 1999?

The MSLP's draft cohort default rate for FFY 1999 was 7.2 percent. This is a reduction from the FFY 1998 official rate of 8.69 percent.

Will the electronic version of the Common Manual in Windows 3.1 format be continued in the July 2001 revision?

No. The MSLP has updated its Electronic Common Manual records for Windows 3.1 users who indicated they had upgraded to a more recent version of Windows in a MOSTARS survey conducted last fall. Remaining Windows 3.1 users were contacted to determine their current PC platforms. To update or confirm Common Manual distribution information on file with the MSLP, contact the MOSTARS Information Center at (800) 473-6757. A paper version of the Common Manual will continue to be mailed to clients on our Common Manual mailing list, in addition to the ECM.

Regarding Federal Stafford Loans, where is the statement that requires the student to use the loan funds for an educational purpose?

This statement formerly was referred to as the Statement of Educational Purpose. It now is located next to the signature line on the Free Application for Federal Student Aid. The statement reads "...also, you certify that you (1) will use federal and/or state student financial aid only to pay the cost of attending an institution of higher education..."

This information may be found on the Federal Stafford Loan Master Promissory Note Borrower's Rights and Responsibilities, number 6 under Use of Loan Money. This section also lists the types of authorized expenses, such as tuition, room and board, institutional fees, books, supplies, equipment, dependent child care, transportation, commuting expenses, rental or purchase of a personal computer, origination and guarantee fees, and/or other documented, authorized costs.

This statement may be found on the Federal PLUS loan application and promissory note in the Borrower Authorization and Certification section on the back of the note. The statement reads "...3) I certify that loan proceeds will be used for authorized educational expenses incurred by the dependent student named in the Student Section and that I will immediately repay any loan proceeds that cannot reasonably be attributed to educational expenses for attendance on at least a half-time basis at the certifying school for the loan period certified on the Application." ★

MOSTARS Continues Default Prevention Training

FFEL Program News

Marilyn Landrum
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MOSTARS' ongoing default prevention training is available to schools concerned with borrowers defaulting on their student loans. Training will be individualized for the school. The available topics are listed below.

Default Prevention on Campus

- ★ Counseling Techniques; Default Prevention Tools
- ★ Default Prevention Borrower Contact Techniques (e.g., grace period contact)
- ★ Delinquency Timeline; Perspectives on Delinquency and Default Prevention

- ★ Delinquency Intervention; Tracking Borrowers

Cohort Default Rates

- ★ Calculation of the Cohort Default Rate; Benefits and Sanctions
- ★ The Cohort Default Rate Process: Draft Rates, Official Rates, Appeals

Miscellaneous Topics

- ★ Lender/Service and Guarantor Activities for Delinquent Loans
- ★ Consequences of Default

Training Materials

(included in all training sessions)

- ★ Sample Guaranty Agency Reports
- ★ Sample Borrower Correspondence
- ★ Cohort Default Rate Original

Repayment Start Date Reference Table

- ★ MOSTARS Default Prevention Publications

If you are interested in scheduling a training session, contact Marilyn Landrum, MOSTARS program specialist, at (573) 522-6285 or (800) 473-6757 or by e-mail at marilyn.landrum@mocbhe.gov. ★

USDE Approves Teacher Shortage Areas for 2000-01

MOSTARS News

Beth Ziehrer
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The Missouri Department of Elementary and Secondary Education recently received notification of the U.S. Department of Education's approval of the following teacher shortage areas for the 2000-01 academic year. Refer to the Teacher Shortage Areas article in the January 2001 issue of the MOSTARS newsletter for more information about teacher shortage area loan deferments. If you have questions about teacher shortage areas, call the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940.

Missouri Teacher Shortage Areas for the 2000-01 Academic Year

- | | | |
|---|-------------------------------------|--|
| Agriculture Education | Music-Vocal | Cross Categorical |
| Art | Science (Middle School) | Counselor (Secondary) |
| Business Education | Biology | Library Media Specialist |
| Drivers Education | Chemistry | Middle School Principal/Vice Principal |
| Early Childhood (P-K) | Earth Science | Principal |
| English | Physics | Elementary Principal/Vice Principal |
| English for Speakers of Other Languages | Speech/Language Specialist | Secondary Principal/Vice Principal |
| Language Arts (Middle School) | Special Education Director | School Psychologist/Psychological Examiner |
| Special Reading | Behaviorally Disordered | ROTC |
| Speech Theatre | Blind/Partially Sighted | Superintendent |
| Family and Consumer Service | Deaf/Blind | Assistant Superintendent |
| Journalism | Deaf/Hearing Impaired | Vocational Director |
| Mathematics (Middle School) | Learning Disabled | Vocational Supervisor ★ |
| Mathematics (Secondary) | Physical/Other Impaired | |
| Music-Instrumental | Severely Developmentally Disordered | |
| | Other Special Education | |

**Participation
Lists**

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To request an MSLP Combined Eligible Lender List, call the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940.

For more information, refer to the August 1998 issue of FFELPfacts. You can view a sample of the list in the October 1998 issue of the MOSTARS newsletter.

The list also is available on the MOSTARS web site at www.cbhe.state.mo.us/pdf/Indrlist.pdf. ★

New Reference Tools Available on the Web

MOSTARS now has a help desk, containing a glossary of terms and acronyms and frequently asked questions, on the web at www.cbhe.state.mo.us/FAQ/helpfaq.htm. Visitors can access the help desk by clicking on the Help Desk/FAQ link at the top of the home page (www.cbhe.state.mo.us).

The terms and acronyms, located at www.cbhe.state.mo.us/FAQ/glossary.htm, are indexed alphabetically. The FAQ, located at www.cbhe.state.mo.us/FAQ/help1faq.htm, are indexed by audience (general, lending partners, and financial aid administrators) and by subject. ★

**MOSTARS
News**

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Eligible Lender List Changes

Added

First Bank c/o MOHELA, OE 802998-00

FICE Code: 806773-00

FICE Lender Name: smartFUNDS (Boone County National Bank) c/o MOHELA

Participation Categories: Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre

Added March 7

First Bank c/o MOHELA, OE 802998-50

FICE Code: 806773-50

FICE Lender Name: smartFUNDS (Boone County National Bank) c/o MOHELA

Participation Categories: ATOM, Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre

Added March 7

Carnegie Insur. Co. DBA A+ Funds/Medfunds c/o SLMA, OE 833810-00

Participation Categories: Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre

Added March 9

Changed

EFG Educational Loan Trust, OE 833471-50

New Name: AMS Education Loan Trust, Bank One, NA

Changed March 20

Farmers and Merchants Bank c/o MOHELA, OE 819155-00 & -50

New Participation Category: PLUS Pre

Changed March 9

First Bank, OE 822046-00

New FICE Code: 806773-00

New FICE Lender Name: smartFUNDS (Boone County National Bank) c/o MOHELA

Participation Categories: Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre

Changed March 20

First Bank, OE 822046-50

New FICE Code: 806773-50

New FICE Lender Name: smartFUNDS (Boone County National Bank) c/o MOHELA

Participation Categories: ATOM, Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre

Changed March 20

First National Bank - Chicago/EFG, OE 833471-00

New Name: AMS Education Loan Trust, Bank One, NA

New FICE Lender Name:

Changed March 20

Removed

Kahoka State Bank c/o MOHELA, OE 830289-00 & -50

Macon-Atlanta State Bank, OE 806879-00

O'Bannon Banking Co. c/o LSC/KS, OE 806897-00

Peoples Security Bank c/o MOHELA, OE 827477-00 & -50

Neosho Savings & Loan Assn. c/o LSC/KS, OE 829080-00

Removed March 7

IRS, from page 1

electronic statements to persons for whom IRS forms 1098-E and 1098-T are filed only after obtaining the recipients' affirmative consent to receive these statements electronically. The consent must be made electronically in a manner that reasonably demonstrates that the recipient can access the statement in the format in which the school, lender, or loan holder will furnish the statement. The consent also may be made in an alternative format (e.g., e-mail or paper) if, again, the recipient confirms consent in a manner that demonstrates his or her ability to access the furnisher's intended electronic format. For example, the furnisher may send an e-mail to the intended recipient and attach a file containing consent instructions. The attached file should be in the format that the furnisher will use to provide statements. If the recipient successfully opens the attachment and provides consent according to instructions in the attachment, the recipient demonstrates that he or she can access the intended electronic format for the statement.

The furnisher must identify the scope and duration of the consent and conditions under which the furnisher may cease providing statements electronically. The recipient must be informed about the procedures to withdraw consent and must be permitted to withdraw consent at any time. The recipient must not have withdrawn consent before the electronic statement is furnished. The furnisher must provide information about the procedures for obtaining a paper copy of the statement after a recipient consents to receive the statement in an electronic format. In certain cases, furnishers also may be required to notify recipients prior to changing hardware or software and obtain new consents in revised electronic formats resulting from hardware or software changes. Persons who do not give consent to receive statements electronically must receive the statement in paper format.

Posting and Retention

An electronic version of the required statement must contain all required information. The furnisher must post the electronic version of the statement on a web site accessible to the recipient on or before Jan. 31 of the year following the calendar year to which the statement relates. The furnisher must maintain access to the statements on the web site through Oct. 15 of the year following the calendar year to which the statements relate (or the first business day after Oct. 15, if Oct. 15 falls on a weekend or legal holiday).

Corrected statements must be maintained until the later of Oct. 15 (or the first business day thereafter as previously indicated) or 90 days after the corrected statement is posted.

On or before Jan. 31 of the year following the calendar year to which the statement relates, the furnisher must notify the recipient who has consented to receive an electronic statement that the statement is posted on the web site. This notice may be provided by mail, electronic mail, or in person. This notice must include the procedures for accessing and printing the electronic statement and must include the following specific statement: "Important Tax Return Document Available." If the notice is provided by electronic mail, the temporary regulations instruct that this statement should be on the subject line of the electronic mail and should be sent with high importance. If a furnisher later posts corrected statements on the web site, the furnisher must notify the recipient of that posting within 30 days after the corrected statement is posted.

Confidentiality

While furnishers may use these temporary regulations as guidance for providing the required statements in an electronic format, the IRS invited comments on the temporary regulations and intends to publish final rules in the future. Until final rules are issued, the IRS expects that furnishers will take reasonable precautions to ensure the confidentiality of taxpayer information.

Additional requirements apply for providing voluntary, electronic statements and are detailed in the Feb. 14 Federal Register. A school or lender that complies with all disclosure, consent, notification, format, posting, and retention requirements of the temporary regulations is considered to have furnished the required statement in a timely manner.

These regulations became effective Feb. 14, 2001, for statements provided after Dec. 31, 2000, to individuals for whom IRS forms 1098-E and 1098-T are filed by schools, lenders, and loan holders. Please note that the Jan. 31 deadline for posting statements for the 2000 calendar year passed before the publication of this guidance.

Also see a related article, "IRS Extends Reporting Waiver for Schools and Lenders," in the February 2001 issue of the MOSTARS newsletter. ★

The bond equivalent rate of the 91-day Treasury bills auctioned during the quarter ending March 31 is 5 percent. The average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending March 31 is 5.32 percent.

The Missouri Department of Higher Education makes every effort to provide program accessibility to all citizens without regard to disability. If you require this publication in an alternate form, contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940. Hearing/speech impaired can call (800) 735-2966.



FIRST CLASS

MOSTARS, the student assistance division of the Missouri Department of Higher Education, publishes this newsletter to inform Missouri's higher education community about current issues concerning early awareness and outreach, consumer information, state and federal student financial assistance programs, and student loan default prevention.

Ms. Marie Carmichael. CBHE Vice Chair

Dr. Kala M. Stroup. Commissioner
of Higher Education

Ms. Lynn Hearnes. . . . Assistant Commissioner for
Student Assistance and Services